

## Boucher Introduces Legislation to Promote Use of Coal-to-Liquids Technology (September 29, 2006)

### BOUCHER INTRODUCES LEGISLATION TO PROMOTE THE USE OF COAL-TO-LIQUIDS TECHNOLOGY

WASHINGTON, DC - Representative Representative Rick Boucher (D-VA) introduced federal legislation to promote the use of coal-to-liquids, a technology which enables the production of transportation fuels from coal. The legislation would establish price certainty, thereby incenting investments in coal to liquids facilities.

Coal liquefaction has been in use since World War II, and South Africa today uses the technology to produce approximately 40 percent of its transportation fuels. While the technology has been in use in other parts of the world, it has not been widely deployed in the United States. However, coal liquefaction technology is economic when crude oil prices are at or above \$40 per barrel. The Energy Information Administration forecasts that prices for crude oil will remain above this level for the foreseeable future.

"The escalation of gasoline prices has highlighted the need for our nation to obtain energy independence. By using one of our nation's most abundant natural resources - coal - to produce transportation fuels, we can address fuel cost concerns, make our nation less reliant on imports from politically unstable regions of the world and simultaneously benefit our domestic coal industry," Boucher said.

As a major consumer of petroleum products in the United States, the airline industry has a substantial interest in technologies which would increase the amount of domestically available petroleum product and decrease prices of aviation fuel. "I applaud the bipartisan leadership exhibited today by Congressman Rick Boucher," said JetBlue Airways founder and CEO David Neeleman. "America must reduce its dependence on foreign oil via environmentally sound and proven coal to liquid technologies. Utilizing our domestic coal reserves is the right way to achieve energy independence. I look forward to the days ahead as co-sponsors show their support and help pass this vital piece of energy independence legislation."

The legislation introduced by Representative Boucher would enable the Department of Energy to enter agreements with up to 6 coal liquefaction projects for the purpose of establishing price parameters which will provide the projects with a federal price guarantee. Under the legislation, if the price of crude oil falls below an agreed upon price, approximately \$40 per barrel, the federal government would make a payment to the facility owner, thereby establishing a price floor for

the facility's product.

Conversely, if the price of crude oil were to rise above a certain ceiling, upwards of today's market price per barrel, the facility operator would be required to make payments to the federal government. The legislation was established with both a floor and a ceiling to provide the necessary financial certainty to incent the launch of coal-to-liquids projects while simultaneously insuring that participating facilities are not able to reap windfall profits simply by virtue of their participation in a program which lends federal backing in certain circumstances. The exact price levels for the floor and ceiling as well as the amount of the payments would be established as part of each project's agreement with the Department of Energy.

"The novelty of coal liquefaction technologies to the United States means that obtaining the investment capital for facilities is still somewhat uncertain. Our legislation will resolve much of the uncertainty and speed the arrival of coal to liquids plants in the U.S.," Boucher concluded.

Representative Boucher is also a co-author of H.R. 5453, legislation which would extend the 50 cent per gallon excise tax credit for alternative fuels derived from coal. The tax credit is currently set to expire in 2009, and H.R.5453 would extend the tax credit through 2020.

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A copy of the legislation is available upon request.